



Corporate Participants

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Sudhir Valia

Whole time Director, Sun Pharmaceutical Industries Ltd



Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY12 earnings conference call of Sun Pharmaceuticals Limited. As a reminder for the duration of this conference all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Uday Baldota. Thank you and over to you sir.

Uday Baldota: Thank you Marina. Good morning and a warm welcome to our 1st Quarter 2011-2012 earnings call. I am Uday from the Sun Pharma Investor Relations team. We hope you have received our Q1 financials and press release that we sent out yesterday. These are also available on our website. Today we have Mr. Dilip Shanghvi – Chairman and Managing Director, Mr. Kal Sundaram – CEO and Mr. Sudhir Valia – whole time Director for this interactive call.

Together they will discuss and respond to queries on performance highlights as well as updates on strategy. As is usual, for ease of discussion we will look at the consolidated financials. Just as a reminder this call is being recorded and the replay will be available for the next few days. This call transcript will also be put on our website soon.

It will be appropriate to mention that the discussion today may include certain forward-looking statements and these must be viewed in conjunction with the risks that our business faces. I request all of you to kindly send in your queries that remain unanswered today. I will now handover to Mr. Dilip Shanghvi.

Dilip Shanghvi: Welcome and thank you for joining us today in this earnings call after announcement of financial results for the 1st Quarter of 2011-2012. First a few specific mentions.

At a meeting of the shareholders of Caraco Pharmaceuticals Laboratories Limited, on June 14th 2011, the shareholders approved resolutions by which Caraco is now our wholly owned subsidiary of Sun Pharma.

As announced by Taro earlier its 20-F for 2010 was filed in June 2011. It is now in the process of adjusting the requirements of 20-F for the years earlier. Now, as usual Mr. Valia will outline the financial highlights and then Mr. Sundaram will cover some of the operational performance highlights. I will then talk about R&D and some other developments. I will now hand over to Mr. Valia.

Sudhir Valia: Thank you Mr. Shanghvi. Good morning to everybody. Our 1st Quarter financials are already with you. As usual we will look at our key consolidated financials.

Before I begin with the financial highlights couple of notes would be appropriate. As you are aware Taro financials have been included from 20th September, 2010 in Sun Pharma, consolidated financials for the full year FY11. Also as has been consistently highlighted by us in the past there have been significant non-recurring sales and resulting profit in the 1st Quarter last year. To that extent we request all to exercise care when comparing financials for this 1st Quarter with those for the same period last year.

Now for the financial highlights. Q1 net sales are Rs. 1636 crores, an increase of 20% over Q1 last year. This growth despite high base achieved in Q1 last year from the sale of generic Eloxatin, is largely on account of Taro sales being included in the current quarter. The rest of the business has performed in



line with our expectations. Material cost as percentage of the net sales is 25% similar to what it was in Q1 last year.

Staff cost for the quarter is 17% of the net sales significantly higher than the 9% in Q1 last year but more or less at the same level as for the second half of the last year since the time Taro financials have been consolidated. As we have mentioned in the past, this is essentially due to the staff cost being incurred at Taro.

Other expenditure is at 25% of the net sales significantly higher than 21% for the Q1 last year. Lower expenditure as proportion of the sales in Q1 last year is primarily on account of a higher sales base attributed to significant nonrecurring sales in the quarter.

As a result of the above, EBITDA margin achieved during Q1 equals 34% significantly higher than the second half of the last year though significantly lower than 45% achieved in Q1 last year. As mentioned earlier, high-margin in Q1 of the last year is largely on account of significant nonrecurring sales in our US business. Net margin at 31% at the same level as in the immediate preceding quarters is significantly lower than 41% that was achieved in the same quarter last year for the same reason as mentioned above.

On fully diluted basis EPS is Rs.4.80 down from Rs. 5.40 for the same quarter last year.

Taro recently announced its April-June financials.

Taro reported April-June net sales of US\$ 112 million, an increase of 14% over the same quarter last year. Net profit of US\$36 million for the quarter is significantly higher compared that of April to June last year. Taro has mentioned that this is partly on account of lower than normal R&D spends which is likely to increase in the subsequent quarter, and substantial tax credit received. Taro has also indicated that the competition could have a negative impact on sales and pricing going forward.

A brief mention about API business. The overall API sales registered a growth of 4% this quarter. We scaled up two APIs this quarter, including Taro 5 filings. Now we have 132 DMF and CEP approved out of 209 filings. I will now hand over to Mr. Sundaram who will share operational highlights.

Kal Sundaram: Thank you Mr. Valia and good morning to everybody. I will first take you through the India formulation business.

Sales in Quarter 1 are Rs. 638 crores outwardly reflecting a growth of 12% over corresponding quarter earlier year. Adjusting for the discontinuation of our third-party contract manufacturing business the underlying growth is at 18% and is well in line with our expectation.

According to AWACS we hold a market share of about 4.4% for the 12 months to June 2011. During the course of 1st Quarter we launched seven products. In July we commenced sales of Istavel, the diabetic product we in-licensed from MSD. The sales take off has been very well. We continue to be ranked Number1, by share of prescriptions with 6 doctor specialties, namely, psychiatrists, neurologists, cardiologists, orthopedics, ophthalmologists, and gastroenterologists.

Now about our emerging market business. Underlying growth in sales for the segment reflected in this quarter financials is upwards of 20% when compared to same quarter last year. With this now I will hand over to Mr. Shanghvi. Thank you.



Dilip Shanghvi: Thank you Kal. Continuous progress is being made on important strategic developments of financial year 2011. Focus on sustainable performance, improvements at Taro is still a long journey though early results are encouraging. Work on strategic joint venture with MSD for emerging market is progressing well.

On the R&D the front our efforts continue. R&D expenditure for the quarter, Rs. 93 cores equivalent to 6% of enhanced sales and this expense includes work both at Sun as well as at Taro.

During the April-June quarter ANDA for six products were filed from Sun Pharma and Taro. Counting these together with ANDAs for seven products that were approved during the quarter we now have a total of 383 products filed with FDA of which 151 are awaiting approval. Sun's patent library taken together with Taro, now stands at 551 patents with 250 patents being granted.

Remediation efforts are going on at Caraco's Detroit plant and at Sun Pharma's New Jersey plant owned by us. At the moment there is no specific timeline available for completion of these efforts. While the organic growth engine is firmly in place and will help us deliver sustainable performance we also remain interested in inorganic opportunities in several markets especially in the US and some of the large emerging markets. Liquidity available with the company has been earmarked for investment in such long-term value creating opportunities. With this I would like to leave the floor open for questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. Participants are requested to use only their handsets while asking a question. The first question is from Sonal Gupta from UBS Securities, please go ahead.

Sonal Gupta: Good morning everyone. If you could just give a breakup as to what is driving the other income for the quarter?

Sudhir Valia: Principally it is all interest income, whether it is in the form of other income because since some of the money has been kept in debt mutual fund, so it does not come as a way of interest in the terminology of accounts.

Sonal Gupta: So this is also interest income effectively?

Sudhir Valia: Yes.

Sonal Gupta: Just on generic Taxotere you got the approval in May. So how has been the ramp up? Is it in line with your expectations and also if you could give some comments on the pricing environment?

Dilip Shanghvi: Generally we have avoided giving product specific guidance. Whatever we've factored in our calculations, both for Taxotere other products in existing business, is reflected in our overall guidance that we hope to be able to make.

Sonal Gupta: Right. Does your guidance of 28% to 30% also include any inorganic opportunities, being supplemented by inorganic opportunities?

Dilip Shanghvi: No.



Sonal Gupta: Thank you.

Moderator: Thank you. The next question is from Anubhav Agarwal from Credit Suisse, please go ahead.

Anubhav Agarwal: On the material cost of sales ratio can you give that number for Taro? For consolidated we have 25% but what is it for Taro?

Dilip Shanghvi: I think we cannot disclose anything different from what Taro has disclosed in its filings.

Anubhav Agarwal: Another question was, on the discontinued business in India, what would it be like? Would it be something like 2% of last year total sales? Does that impact your guidance or that guidance is already factored in?

Dilip Shanghvi: Guidance factors all of this.

Anubhav Agarwal: The seven products that you launched in India, any new therapy or these are what we continue to have right now?

Kal Sundaram: It's all in the same therapy that we operate in.

Anubhav Agarwal: Just the last question, when you make provisions for Taxotere right now do you factor in the current pricing which is there or do you also account for the price erosion when Sandoz enters the market?

Dilip Shanghvi: I think Sandoz is already in the market.

Anubhav Agarwal: Yes, but they came very much at the end of June, then you would have booked the sales?

Dilip Shanghvi: I am not clear about the question. What are you asking?

Anubhav Agarwal: Basically the sales contribution that you have reported in the P&L on the Taxotere side, the share stock adjustment charge back accounting that you would have taken there, what is the kind of price erosion you would have been factoring in over there? Does that take impact of the possible significant price erosion which may happen once Sandoz is active in the channel?

Dilip Shanghvi: If your question is that whether we are likely to book some charges in future because of overstated revenue in the past, is that the question?

Anubhav Agarwal: Yes.

Dilip Shanghvi: I think we follow a generally conservative practice and that is not likely to happen.

Anubhav Agarwal: Thanks.

Moderator: Thank you. The next question is from Bino Pathiparampil from IIFL, please go ahead.



Bino Pathiparampil: Good morning. First on the domestic market, can I get little more details about what you mean by third party contract manufacturing, was is that somebody was getting formulations manufactured by you?

Kal Sundaram: Its fairly longish arrangement with an MNC company goes back a long time ago. The contract came to an end and then we are not continuing that business. So that is what we have talked about.

Bino Pathiparampil: Historically it has been reported as domestic formulations business.

Kal Sundaram: Yes.

Bino Pathiparampil: Second, the domestic formulations revenues as reported in 1Q FY11 press release and the same quarter, that is last year 1st Quarter formulation revenue as reported in this quarter's press release there is a small difference, I think roughly 30 crores or so. So is there some difference in the way you recognize some VAT or something?

Uday Baldota: Yes, the difference is VAT.

Bino Pathiparampil: So going forward we will be following this policy by which we will not include VAT?

Uday Baldota: This is what we had clarified in the last quarter that now we would be reporting net of VAT.

Bino Pathiparampil: Coming back to Taro, is there any timing difference or revenue recognition policy difference between Taro and Sun by which it may not be mathematically comparable?

Sudhir Valia: We have ironed out all this.

Bino Pathiparampil: So the Taro revenue which they report will be the same as the revenue used for consolidation in Sun?

Sudhir Valia: Correct.

Bino Pathiparampil: Finally, about the tax rate for the full year? Taro had some tax credit. Is that going to continue in subsequent quarters? What would be the impact on consolidated tax rate for the year?

Sudhir Valia: The current status would prevail for some period of time because whatever is now carried forward which they have, they enjoy it.

Bino Pathiparampil: So the full-year consolidated tax rate we are looking more or less in line with this quarter's tax rate?

Sudhir Valia: Very difficult to say but more or less not much difference.

Bino Pathiparampil: I'll join the queue. Thank you.



Moderator: Thank you. The next question is from Aditya Khemka from Nomura, please go ahead.

Aditya Khemka: Just a small question on the Taro business. I missed you during the opening remarks, you said something about Taro, the R&D spend increasing and we have some competition going forward which would probably have some price pressure for us? Could you just clarify on that please?

Dilip Shanghvi: What I think we have indicated, as Taro has indicated that the R&D cost is likely to go up in subsequent quarters, so that needs to be factored by investors in their calculations because that will have an impact on profitability.

Aditya Khemka: Right. Any pressure on the base business which they currently run, because Taro has few top products which contribute a lot of revenue. So competition scenario on those products and pricing pressure if you are seeing any, or if they anticipate any kind of pressure?

Dilip Shanghvi: It is just a caution that there is a lot of interest in the therapy area in which they are operating. They can see some unanticipated competition and that will have impact on their revenue. I think it is a caution statement.

Aditya Khemka: Right. Just one more if I may on the tax rate again. Your tax rate for this quarter was around only 2%. So are you guiding any tax rate for the entire year, full year FY12?

Sudhir Valia: No. nothing because it will change.

Dilip Shanghvi: I think what we have guided overall is that the tax rate for the company as a whole is likely to go up slightly over last year.

Aditya Khemka: Ok. Thank you.

Moderator: Thank you. The next question is from Girish Bakhru from HSBC, please go ahead.

Girish Bakhru: Thanks for taking my question. I had a question on the domestic business. You said you have launched one product from MSD. Just wanted to clarify if this is in the gliptin space and how many products can come from MSD in the current fiscal?

Kal Sundaram: It is Sitagliptin, our brand is Istavel. The second brand that we will be launching will be the combination of Sitagliptin plus Metformin. The brand name will be Istamet. We hope to launch the second product during this quarter.

Girish Bakhru: Any color on how much potential benefit we can get from this tie up say in the next two fiscals or say by FY13, how much can it contribute in the domestic business?

Kal Sundaram: We do not provide that level of detail on products. I am sorry.

Girish Bakhru: Next on Taro, you commented that Taro has kind of hinted on increasing pricing pressure. Any color on this merger between Paddock and Perrigo? So Watson has also got some portfolio from Perrigo which I think has a lot of similarity with Taro. So where do you see this pressure coming from?



Dilip Shanghvi: I think it is a general statement. We see a lot of increased interest in the dermatology business that Taro is present in. As I understand a statement mainly stating any potential competition impacting overall pricing. It is neither a company specific statement nor a product specific statement.

Girish Bakhru: Lastly on this recent withdrawal of Doxorubicin application in Europe. I know you have commented that Europe is a small, not material entity right now, but what is the strategy going forward? And we have seen some of the withdrawal of applications from that region. So just wanted some thoughts on that?

Dilip Shanghvi: I think we continue to be interested in filing our Liposomal Doxorubicin in all the international markets. And this is a regulatory strategy which we believe will help us at some point in time register the product in the market.

Girish Bakhru: Can you specify what are the objections that CHMP has raised in this product?

Dilip Shanghvi: I think shortly they will become public.

Girish Bakhru: Thank you. I will join the queue.

Moderator: Thank you. The next question is from Abhay Shanbhag from Deutsche Bank, please go ahead.

Abhay Shanbhag: Just wanted to check up the statement that you made earlier on Taro where you said, synergies will take some more time to come through. Now will these synergies be able to dilute the intensive competition for Taro in the US market?

Dilip Shanghvi: I think the statement reflects both upside potential and downside potential. Now whether upside will be able to offset the downside which is what your question, I think since both of these are futuristic position, difficult to quantify and to be able to give a statement whether they can and cannot.

Abhay Shanbhag: In case of Taro the margins have increased quite sharply. One part of the reason obviously has been the R&D coming down. But do we expect a significant improvement even from these levels going forward?

Dilip Shanghvi: There is no guidance from Taro about the increased margin in their last statement. So I do not think we can give anything significantly beyond. But if the R&D cost will go up it can only have a potentially short term negative impact on margins.

Abhay Shanbhag: The other one was on the auto injector that you launched for one of the products a month back. Is there a possibility that you could use this for some other products also? Is it sort of a technology where more products can come into that which could be a specialty product going forward?

Dilip Shanghvi: It can be. I think the device will need significant level of adaptation and modification for individual product and dosage form. But theoretically it's possible to be adopted for other drugs if we think that is an interesting opportunity.

Abhay Shanbhag: Would you be working on something like that already?



Dilip Shanghvi: Actually I think we generally do not give out product specific guidance or information.

Abhay Shanbhag: One last one, Gemcitabine which was approved this week has also seen something like eight to nine players so do we see these trends continuing that even in so-called niche segments, oncology injectables, we are seeing many more competitors than what was expected?

Dilip Shanghvi: I am trying to understand what your question is. Your question is that oncology was treated....

Abhay Shanbhag: ... was expected to be a niche segment which may not see too many competitors. Like right now a lot of people do believe that OCs or ophthalmology and all maybe niche segments going forward. But two or three years back we had expected the same with oncology injectables and we are already seeing eight to nine players, including three to four from India getting approvals. So this sort of commoditization is it much more than expected or you were expecting it?

Dilip Shanghvi: I think that is one of the reason why we generally do not give out guidance related to filings, is that business reality is far more aggressive than the current market would indicate and we do not want to build the expectations based on our filing with investors because unnecessarily it will help produce volatility and build expectations making it difficult for us to meet those expectations. And your statement as to all attractive niche products is only attractive and niche as long as there is not much competition. And all the people who develop and file products have access to similar information. So ultimately nothing is going to remain niche simply because it is small or differentiated. So you need to focus on technology which will give you long-term differentiation capability.

Abhay Shanbhag: Fine, Thank you.

Moderator: Thank you. The next question is from Ravi Agarwal from Standard Chartered, please go ahead.

Ravi Agarwal: A couple of questions. The first is the tax credits on Taro, is it possible to get some sense as to how much of more tax credits are available to be set off against taxes in Taro?

Sudhir Valia: It's almost come to an end.

Dilip Shanghvi: Also I think we cannot give specific information beyond what is in public domain.

Ravi Agarwal: Ok. The second question is on MSD alliance, when do we start seeing products for ROW markets outside India in terms of actual launches?

Kal Sundaram: Given that most of these products are meant to be differentiated products I expect probably take roughly three years or so before we start approvals in the emerging markets.

Ravi Agarwal: For India so you were mentioning that you will launch one more combo product by this quarter. Any more clarity on how many more products we could see in India in the next say, one year or so?

Kal Sundaram: Are you referring to the in-licensed product from Merck or generally our new product launches ?



Ravi Agarwal: That is correct.

Kal Sundaram: New product launches?

Ravi Agarwal: We are talking of in-licensing and new products

Kal Sundaram: One of the product number we have launched which is not a combination product. This is the plain Sitagliptin DPP4 for diabetes. We anticipate the launch of the combination product during this quarter.

Ravi Agarwal: The question being how many more products can one see over the course of say, the next 12 months or so?

Kal Sundaram: I think these are the two products that we in-license we will be launching during this year.

Uday Baldota: Ravi, just to clarify. There are two separate deals with MSD. One is for the emerging market deal which is the joint venture which excludes India. That JV will not bring any products to India. The other which is a very specific two product deal related to Sitagliptin and Sitagliptin plus Metformin. And both of those products have already been launched; there is no further in-licensing deal which you can expect to bring products to India. There is nothing more.

Ravi Agarwal: That was helpful. Third thing was a broad question on the domestic formulations part. I know we have a very niche kind of a portfolio but launching 6-7 products as we seem to be launching on a quarterly basis, is that enough for us to sustain our medium-term growth of around say, 18-20%? So is that something which will also need to be stepped up?

Kal Sundaram: How many products we will launch depends on the relevance of the product. Even on a seven products for the segments that we are present in on an annualized basis will represent 30 products. Historically if you look at it we would have been launching around that level only. So I do not foresee any major problem because of any sort of slowdown because we are not launching lot of products.

Uday Baldota: Also Ravi, just to clarify this 18-20% number is not something that we have indicated.

Ravi Agarwal: I understand. Just a sense about whether we can sustain an 18-20% kind of growth going forward with these numbers of launches. Thank you so much.

Moderator: Thank you. The next question is from Perin Ali from Edelweiss, please go ahead.

Manoj Garg: We have launched this DPI device in India. I just wanted to understand how is the initial response and the acceptability of the doctor community?

Kal Sundaram: We are yet to commercially launch the product. Once we launch we will give you the update.

Manoj Garg: Is it going to be launched this quarter?

Kal Sundaram: We are planning to launch it during this quarter.



Manoj Garg: Second thing, just a broader question on a macro side for the domestic market. In the last two quarters we have seen some kind of a slowdown in the domestic growth, where the growth from 15% to 16% has come down in the range of around 12% to 14%. Just wanted to have your view on the growth? Are you witnessing some slowdown or is it a temporary phase?

Kal Sundaram: For the business that we are in, given that it's a chronic care business, we didn't sudden fluctuations as much as you may see in the larger segment.

Manoj Garg: So in the chronic segment we are still witnessing the similar kind of growth trend which are around 16% to 18% kind of range?

Kal Sundaram: I would think so.

Manoj Garg: Thanks and wish you all the best.

Moderator: Thank you. The next question is from Priti Arora from Kotak, please go ahead.

Priti Arora: Thank you. Can I have the launch date of Taxotere in US?

Dilip Shanghvi: We do not have it here.

Priti Arora: Was it end May, early June?

Dilip Shanghvi: Sometime in May. Uday can give you subsequently.

Priti Arora: ok. Mr. Valia, you have indicated the other income increase, is it on account of interest income which is going to re-occur or is it on account of dividend income which has come this quarter and may not re-occur next quarters?

Sudhir Valia: I said this is primarily on account of mutual fund income which is either we say dividend or whatever terminology, which is lumpy because it comes after a year so it is not accounted every quarter.

Dilip Shanghvi: Some of the money that we have invested is in fixed maturity plans, so then we do not reflect quarter-on-quarter interest income but whenever there is a redemption or maturity of that fixed maturity plan that income is reflected in that quarter.

Priti Arora: Ok, understood. Second question Mr. Valia you indicated that the material cost to sales ratio is Y-on-Y it is almost stable. So if you can just help us understand how do we look at it considering that last year same time you had high margin Eloxatin in US and this year you do not have that.

Sudhir Valia: I appreciate your concern because technically that point of time our margins or the cost of the material is significantly lower which is true but now the scenario changes with Taro now being included, and Caraco going out for a while till it comes back, all these mix changes cause the variations.

Priti Arora: Would you say this other expenses excluding R&D which has dropped quarter-on-quarter quite significantly, would you say this run rate is something which is sustainable or you do not see a very material pickup from here?



Dilip Shanghvi: I think we have not changed any basic business plans or activity so we are not expecting dramatic change over last year. If there is a reduction in a specific item this quarter, then it is likely to be corrected going forward.

Uday Baldota: I think the guidance for the R&D expense for the year remains the same as of now.

Priti Arora: I understand but I am referring to the other expenses excluding R&D which has dropped from last two quarters run rate which did have Taro, which was above 360 crores, it has dropped to around 310-315 crores.

Uday Baldota: I think Priti, we have clarified this earlier as well, just to reduce the R&D expenditure from other expenditure may not be completely accurate because the R&D expenditure actually includes components of material cost, staff cost as well as other expenditure and that could vary from quarter-to-quarter depending on what R&D cost is being incurred.

Priti Arora: ok. Last question, any update on generic Stratterra?

Dilip Shanghvi: That is a small product with many first filers, so I do not think you should be factoring this into your calculations. But to answer your question I think Lilly won that litigation on appeal so I think it's deferred.

Priti Arora: One last question, with VAT going out of India sales, and now this discontinued business going out of India sales this year, your guidance of 28% to 30% stands on the reported net sales of Rs.5700 crores.

Dilip Shanghvi: Thanks for appreciating our difficulty in meeting guidance. But this has not changed as on today.

Priti Arora: ok thank you.

Moderator: Thank you. The next question is from Sameer Baisiwala from Morgan Stanley, please go ahead.

Sameer Baisiwala: I was just thinking about your current year sales guidance. It looks like for the balance three quarters we need to do about Rs.1900 crore sales per quarter. So the question here is how would the sales pan out for the balance part of the year? Is it going to be lumpy in certain quarter or is it going to be a gradual growth?

Dilip Shanghvi: I think there would be a gradual increase quarter-on-quarter.

Sameer Baisiwala: Ok. The second question is on the gross margins. I remember previous quarter, the 4th Quarter of fiscal 2011, it was not representative because there was a Taro consolidation impact etc.

Dilip Shanghvi: I think Sameer, one issue is that in the next quarter there would be one-time increase because of Taro being included because that is the last quarter, where there is no previous quarter of Taro sales. The last two quarters of last year and first quarter of this year where there was no corresponding Taro sales. Next quarter also there is no corresponding Taro sales. There may not be a



significant amount of matching Eloxatin sales in the next quarter and the last quarter of corresponding quarter last year.

Sameer Baisiwala: Yes, fair enough. My question was a little different that the gross margin in the March quarter was about 79% and that was not representative because of Taro consolidation which had happened. However, this quarter it has got more normalized to about 75% or so. Now are we reaching a more general than normal level of gross margins or even in this quarter we need to make some adjustments?

Sudhir Valia: See, the way Taro accounted the income for the first quarter which is October to December, they have taken a higher cost of material because of the accounting systems which we consider which they include even the overhead related to that, in the subsequent quarter this gets rectified and it is only the material cost which is reflected as a material cost and no other expenses. This is the accounting difference being ironed out in last quarter. So the last quarter that is in January to March we have little lower because October to December has gone up but now what we talk about this quarter is more or less has been normalized.

Sameer Baisiwala: Okay and just one Imiquimod, I think we got an approval around the middle of April. Somehow, IMS data doesn't reflect this product as of being launched. There are no Rx against that so have launched this product in the market?

Dilip Shanghvi: Unless and until Taro discloses I do not think that we can disclose. But what we are seeing historical Taro sales not reflecting Imiquimod sales is because Taro has not launched the product.

Sameer Baisiwala: So Taro has not launched the product, is it not?

Dilip Shanghvi: Taro had not launched in the historical period. Taro needs to disclose whether they have launched this product or not. I cannot disclose in Sun's investors call.

Sameer Baisiwala: Okay, thank you that is all from my side.

Dilip Shanghvi: Thank you.

Moderator: Thank you. The next question is from Krishna Prasad from JM Financial. Please go ahead.

Krishna Prasad: Good morning everyone and thanks for taking my question. First one on the domestic formation business. Adjusting for this discontinuation of third-party manufacturing, the difference comes out to about Rs. 30 to 35 crores of sales. Would it be fair to assume a similar number for all the quarters going forward?

Dilip Shanghvi: No, that is not correct. I think since we have not disclosed historical for third-party revenues. It is difficult for me to respond but my understanding is that the sales certainly will not be equal in every quarter.

Krishna Prasad: Would it be possible to provide a range of what that number would be for the year?

Dilip Shanghvi: Yes, I think we can give that number. But we do not have it here with us.



Krishna Prasad: Just one more thing-- have we launched Sumatriptan injection in the US market?

Dilip Shanghvi: Yes, we have.

Krishna Prasad: Also if you can help us with what is driving the US growth sequentially? I mean Ex-Taro we have seen numbers going up; it can help us understand the sequential growth better?

Dilip Shanghvi: Actually there would not be sequential growth. Okay, you are saying for the first quarter?

Krishna Prasad: That is right.

Dilip Shanghvi: I think we have got so many approvals I think we are focusing on getting new business so it is a natural process of this.

Krishna Prasad: Would you be able to share market share for Docetaxel?

Dilip Shanghvi: We generally do not share product specific market share.

Krishna Prasad: Just one more thing on the depreciation, I see that that number is slightly higher than your usual run rate, is there any one-off item there?

Sudhir Valia: If you see in the similar way Taro is the only difference which is happening. And Taro is about 4.5 to 5 million every quarter.

Krishna Prasad: Ok. Any update on Prandin, if you could help us with any timeline on that?

Dilip Shanghvi: Prandin, I do not think there is a timeline, it is linked with the approval.

Krishna Prasad: Okay, thank you.

Moderator: Thank you. The next question is from Nalinakanthi from Sundaram Mutual Fund. Please go ahead.

Nalinakanthi: Just one question on the US business. Ex-Taro, the current quarter US formulations is it reflective of the base recurring US business for us?

Dilip Shanghvi: I think we have to do much more if we have to achieve guidance. In each part of the business we have to improve

Nalinakanthi: But this is the recurring and we will grow over this number, what whatever we have accounted for in this quarter?

Dilip Shanghvi: Yeah.

Nalinakanthi: On the domestic formulation, the third-party contract manufacturing whatever we have discontinued, has that been discontinued only this quarter? Do we have the base set for the next three quarters?



Dilip Shanghvi: That is what I answered that we will tell that number separately. Uday will give this number....

Nalinakanthi: All right, thank you.

Moderate: Thank you. The next question is from Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: Thanks for taking my question. Mr. Sundaram, on the ROW business we were talking about 20% growth in the current quarter. So is this a trajectory that we see getting maintained throughout all we see any sort of upward lift on the trajectory on the RoW business?

Kal Sundaram: For the full year I would say probably we'll be maintaining the growth trajectory for the year in all the businesses.

Nitin Agarwal: And also RoW business in Q1 FY11 as we reported was it a particularly low quarter from a prospect of whole year business that we have taken for RoW last year?

Uday Baldota: It was. The first I think 2 to 3 quarters in RoW last year I think we have indicated about a bit of inventory rationalization in what we have done.

Nitin Agarwal: Have done with the process now completely?

Kal Sundaram: Yes we have fairly aligned on our stock levels as of now.

Nitin Agarwal: And lastly what would be our net cash position right now?

Dilip Shanghvi: Close to a billion dollars.

Nitin Agarwal: Okay, thank you very much.

Moderator: Thank you. The next question is from Kartik Mehta from Daiwa Capital Markets, please go ahead.

Kartik Mehta: I just wanted your thoughts on the Express and Medco merger. How do you think in broad terms it impacts the US generics markets. Is it something in your view that can be as sharp as we saw in Germany? Or this is only for the US overall pricing and if you have just shared, what is the net cash that you have and how much of it that is in Rupee and Non-Rupee? Thank you.

Dilip Shanghvi: Medco and Express deal, I think has significant impact on the overall healthcare business and cost. The largest impact, of course, will be for pharmacies and also it will have impact related to formulary construction. I'm not really very clear as to what would be the impact on the generic companies per se. And till we see that impact in business it is difficult to predict but it would have definitely impact on all the players. The net cash I think is close to \$1 billion, we do not have the breakup with us in terms of dollar deposits and in Rupee, so we will not be able to give that information to you at this time.

Kartik Mehta: Just one last question on Medco last thing, in your experience if the group controls 30% of the market now so would that make all that the generic companies more aggressive on the pricing



because then if you need to be in a large space you need to be with these guys. So in that context do you think that the overall pricing what we saw happened in AOK, etc., is it a right assessment?

Dilip Shanghvi: I think both these companies have a mail order of business. So to that extent they have direct relationship with the generic manufacturers. And that would have an impact. However, the reimbursement pricing which they will work out with the pharmacies and chains is more a function of the relationship that they will have with the pharmacy chain themselves, and that is something which I am not very clear as to how much will be the impact related to this merger on the generic manufacturers themselves.

Kartik Mehta: Okay, thank you.

Moderator: Thank you. The next question is from Nimish Mehta from MP Advisors. Please go ahead.

Nimish Mehta: Thanks for taking my question. Few quarters back we had a change in the accounting policy in Caraco, whereby the debtor level had gone down to zero. Just wanted to know are we still following the same accounting policy or there is a change subsequent to that?

Sudhir Valia: No, there is no change in the accounting policy, where is the question?

Uday Baldota: There is no change in the accounting policy anything specific that you are referring to?

Nimish Mehta: I am referring to some additional charge back provisions or I am not exactly remembering that, but was taken into account few quarters back for Caraco at that time the debtor levels of Caraco had gone down to zero.

Uday Baldota: It was basically the same policy being followed, only because of additional charge back provisions for any provision the amount would have gone down to zero. I think I remember in one quarter it was also negative. But there is no change in the policy as such.

Nimish Mehta: But there were additional charge back, so it was related to any particular product or was it then related to some anticipated charge backs?

Sudhir Valia: Charge backs are always related to product.

Uday Baldota: If I'm not mistaken Nimish, this was in the December quarter. I think we had clarified that it was related to Pantoprazole shelf start adjustments.

Nimish Mehta: Right, okay fine. Can you let us know what is the change in the debtor levels this quarter YOY, in rough, I do not need an exact number, I mean how much?

Sudhir Valia: It is in line with the normal which we have financial results reported for the year.

Dilip Shanghvi: It is not very different from the annual.

Nimish Mehta: For the last quarter it was kind of flat YOY despite Taro getting added. So I assume it would be flat this time as well or near flat?

Sudhir Valia: It will definitely grow with the level of sales.



Uday Baldota: I think what Mr. Valia is saying is on our day's sales basis it would be more or less in line with what it was at the end of the year.

Nimish Mehta: Ok. And can you give any update on the Protonix litigation, how has the case gone and what is the timeline of any verdict that you can expect?

Dilip Shanghvi: We have no timeline related to verdict, however, the litigation is continuing.

Nimish Mehta: What is the next milestone, are we into hearing or are we into...?

Dilip Shanghvi: The next milestone will be the hearing.

Nimish Mehta: Mr. Sundaram if you can just let your views known on the impact of Pioglitazone warnings worldwide and how is it impacting market of Pioglitazone in India and your product particularly?

Kal Sundaram: I think even if you go back to the EMEA final outcome, they have said Pioglitazone-benefits outweigh the risk of the product. And with some minor change to the pack insert they have recommended that the product should continue in the market. So the overall the expert belief is that the product still has the benefit and as such we see the product continuing in the market and maintaining the momentum.

Nimish Mehta: Doctors are not changing their prescription, they are more or less continuing with that.

Kal Sundaram: We have not changed anything to that effect so far.

Dilip Shanghvi: And also the other issue which we have to keep in mind is that from reported literature information and also what is disclosed in the trial, is that there is a correlation between the dosage used and the potential negative relationship to cancer. Generally in India dosage use are significantly lower than those which are used internationally. So to that extent the impact in India is also likely to be much lower.

Nimish Mehta: Okay. Thank you, I am done with my questions.

Moderator: Thank you. The next question is from Abhinav Chandak from Baljeet Securities. Please go ahead.

Abhinav Chandak: Hi and thanks. I just wanted to know when is this Imitrex injection which approval we received sometime in June, likely for launch?

Dilip Shanghvi: It has been launched.

Abhinav Chandak: What is the current yield on these 4500 crores of cash that you have on books?

Dilip Shanghvi: It is reflecting in the interest income and our other income

Abhinav Chandak: You said that some part of that is invested in some FMPs and mutual fund....



Sudhir Valia: Ultimately for the year you should consolidate it, you will get it.

Abhinav Chandak: So for the full year, okay I get you, right. Thank you.

Moderator: Thank you. The next question is from Hitesh Mahida from Marwadi Shares, please go ahead.

Hitesh Mahida: Just wanted to know, last year we were showing a year-on-year quarterly growth, every quarter we had shown a growth of 20% plus domestically, this quarter we have come down to 12%. So going forward will the growth rate improve domestically or will it remain in the range of 12 to 15%?

Kal Sundaram: I think we explained, excluding the discontinued contract manufacturing business, the domestic growth was 18%. So we do not see substantial variation between redlected and the trend.

Hitesh Mahida: Okay, Thanks a lot and all the best.

Moderator: Thank you. The next question is from Dheeresh Pathak from Goldman Sachs, please go ahead.

Dheeresh Pathak: It would be helpful if you can give little more details on how should we look at the tax rate this year and the next 2 to 3 years?

Sudhir Valia: It will go up because general tax rate is about 4+ percentage. Please understand that it is so complex that there are so many subsidiaries and so many tax laws in the local countries and so much carry forward or deferred assets, which again depends on the certainty and uncertainty of those tax deferred assets. So we are in a very complex position and if a particular number is asked, even I cannot dream of.

Dheeresh Pathak: Second question is what percentage of Taro sales are in the US?

Uday Baldota: For the 2010 calendar year they have disclosed the number, so I think that is probably the best estimate that you can take, Dheeresh.

Dheeresh Pathak: Would you have that right now?

Uday Baldota: I think roughly 78% is US, if I remember correctly.

Dheeresh Pathak: Last question apart from what we have discontinued the third-party contract manufacturing, is there any other contract manufacturing right now that is there in the domestic business?

Dilip Shanghvi: I do not think there is any significant. The reason why I'm saying significant because I would not remember everything but I do not think there is any significant contract manufacturing residual.

Dheeresh Pathak: Thank you so much.



Moderator: Thank you. The next question is from Vidya Bharti from IDBI Mutual Fund. Please go ahead.

Vidya Bharti: Good morning. This quarter the domestic sales, is it a bit of seasonality playing around that we are seeing a muted quarter, what is the take on it, would we see it increase or better in the coming quarters?

Kal Sundaram: I think we are maintaining domestic formulation including the contract manufacturing we are maintaining 18%. And last year average we said that we will be little over 20%. So we do not see any seasonality. And we expect the momentum to continue subject to the overall economic and the market momentum, etc., continuing.

Vidya Bharti: And this Merck product you have introduced it is a purely marketing based JV or I mean how does the in-licensing deal work, if you could just help me understand that?

Kal Sundaram: First I want to clarify like Uday mentioned that that there are two arrangements with Merck, one is emerging markets which does not include India. The other one is purely product in-licensing arrangement with Merck. Whereas by we have in-licensed the product from Merck, which is currently imported, Merck imports and we market it.

Vidya Bharti: Okay, so it is totally in-licensed and is there a revenue sharing involved in it or how does the deal work out?

Kal Sundaram: Normally we do not disclose commercial details of any arrangement.

Vidya Bharti: What is your plan on upcoming launches and this quarter apart from Sumatriptan, did we see any other launch take place, any update on that?

Dilip Shanghvi: I think we have got some 6 to 7 approvals last quarter. And most of those products would have been launched.

Vidya Bharti: And any target or plans for next two quarters launches, do we see a similar kind of a run rate continuing in there too?

Dilip Shanghvi: I think generally the idea was to launch every product as soon as received the approval. We received I think in the last one week something like 3 approvals and all those products are in various phases of being launched.

Vidya Bharti: Okay. And also on the bulk drugs there is a sudden spurt in, could you share a breakup between domestic and export for the bulk drugs?

Uday Baldota: Actually based on the feedback that we receive we have gone ahead and said bulk is one category, anyway domestic was very small. So we have just clubbed everything together. I am not very sure how relevant the breakup would be.

Vidya Bharti: Okay, is there a target on working on in terms of improvement in your working capital management if it is, could you share with us and what would that be?



Dilip Shanghvi: I think they are working all the time on various initiatives to become better and more efficient company. But the idea would be that as we introduce those improvements it would help us become more profitable. But for any specific subset of priorities, we do not give guidance.

Vidya Bharti: I am sorry I missed the part for your sales guidance, do you still maintain that 27 to 28% excluding the VAT also?

Dilip Shanghvi: Yes, 28 to 30% is our sales guidance.

Vidya Bharti: Thanks, that is it from my side.

Moderator: Thank you. The next question is from Ranjit Kapadia from Centrum Broking, please go ahead.

Ranjit Kapadia: My question relates to the Capex guidance for the current year, if you can throw some light? And the second is, any plans to enter into any new therapeutic area or entry into biotech area, because that is going to be significant after 4 to 5 years?

Dilip Shanghvi: Capex guidance is I think is close to \$100 million. And that continues to be our guidance. We have currently no major initiative on biotechnology, should that change we will keep you informed.

Ranjit Kapadia: Thank you very much. Wish you all the best.

Dilip Shanghvi: Thanks.

Moderator: Thank you. The next question is from Gagan Borana from ICICI Securities, please go ahead.

Chirag: Question on your EBITDA margin. This quarter your EBITDA margins have come up very substantially quarter-on-quarter also there has been an improvement. Is it the kind of number that you think is sustainable, is there any element of one-off, like just building onto one of the earlier participants the other expenditure seems to have come up sequentially to about 400 crores including the R&D, so just any thoughts of 33.5% kind of being sustainable?

Dilip Shanghvi: We do not give the profitability guidance and our view is that we will keep on trying to improve the overall profitability of the business. However, I have not studied the detailed components of margin this time, so it is difficult for me to say whether it will go up or go down. But underlying business will continue to be more or less in line with the historical performance.

Chirag: When you look at your business over the last six months, say March quarter and June quarter. Is there anything which has materially changed which would have shifted the EBITDA margin profile? Is there anything material that has happened on the ground? Rather than looking for a guidance I was looking more on the color, in the sense of is it sustainable or is there anything dramatic that has happened on the ground?

Dilip Shanghvi: No, I do not think there is any dramatic change to our core business.



Chirag: Okay, second question was on Taxotere? At the time of your launch there was 45 to 50% kind of price erosion of the branded price since your launch has there been any material change in the price erosion, I'm not perhaps looking for a number but again...?

Dilip Shanghvi: I think generic business generally erosion is related to the number of generic players. And recently there have been new players. So there will be erosion in pricing.

Chirag: And last question on your gross margins, I remember Mr. Valia indicated last quarter that your correct gross margins for the sequentially last quarter which is Q4 of FY11 were close to 74%, for this quarter we are at about 75.1, would you say that this 100 odd basis point improvement sequentially would be because of Taxotere, or a large part of that would be because of Taxotere, would that be a correct assessment?

Dilip Shanghvi: I think we have not done enough detailing of what constitutes the improvement in margin it is difficult to say whether it is because of Taxotere or other business because other one of the factors is also likely to be that the third-party manufacturing business which was essentially top-line and bottom-line and most likely it is that is the one which would have reflected in terms of improved margins.

Chirag: Thank you so much. And all the best.

Moderator: Thank you. The next question is from Surjit Pal from Elara Capitals, please go ahead.

Surjit Pal: The first question is on again Taxotere, if I go by the latest Hospira conference call data, what they are saying is that they have observed a very few product of Sun Pharma's in channels and expecting stiff competition from Sandoz because of again their single vial dosage. Now the thing is that, do you see the current transit of your client's offtake of the product is in line with your expectation and going to be also in line with your expectation for the full year? The current run rate in terms of selling through your clients or opted by the new clients, is very much in line with your expectations of your products?

Dilip Shanghvi: I think what is important for us to restate again is that we factor everything of our expectation in our total business growth guidance and that we are not changing.

Surjit Pal: Second question is to Kal; the thing is of late what we have observed and talking to some of the MNC pharmaceutical companies in the Indian market, is that the kind of strategy they are taking is they are targeting the crown jewels of the leading domestic companies in the Indian market. And on the other hand they have planned up or launching lot of products which is just off patent and/or patented product at pretty high differential prices in Indian market. From your experience in this market both in MNC and domestic, where do you see this competition going forward in say next 4 to 5 years and if it is MNC got successful how much time will it take to pan out in terms to be a major player in top 10?

Kal Sundaram: The first thing that it is in an early stage, it seems it is fairly difficult to predict. We got to ask more from a customer point of view and also from a doctor point of view, what is that which is being offered, that is not being offered by existing players? So much of the question will revolve around that, what is unmet need that is being fulfilled. And I think the fundamental answer will lie in that. But if you ask honestly it is very early for me to say if the dust settles down what it is going to look like.



Surjit Pal: Will the competition be more dirty in the terms of when I am attacking say some of the ABCD companies of crown jewels of three-four products which is being honored. And that the other hand I am launching at a pretty differential price on the other area where these companies does not have much of a control in the market. Do you think these guys also retaliate with the similar kind of strategy, do you think how long will it sustain and will it really help in expanding the pie in domestic market and the kind of growth?

Uday Baldota: Surjit, it is too much of speculation I think we will let this pass.

Surjit Pal: Sure.

Moderator: Thank you. The next question is from Rahul Sharma from Karvy Stock Brooking, please go ahead.

Rahul Sharma: Just for the query, on domestic sales for FY11 excluding VAT and your contract manufacturing what would the numbers look like?

Sudhir Valia: Rahul, I will separately give you the contract manufacturing business number for the year after the call.

Rahul Sharma: Thank you.

Moderator: Thank you. The next question is from Bhagwan Chaudhary from Indianivesh Securities, please go ahead.

Bhagwan Chaudhary: Just one update on the Lexapro side, what is the current status on the molecule can you update on that?

Dilip Shanghvi: Lexapro, I think there is an exclusivity which Teva has on that product and the reason being the market along with the other generic companies.

Bhagwan Chaudhary: Okay, so after the March, 2012?

Dilip Shanghvi: I do not have the exact expiry date of Teva's exclusivity.

Bhagwan Chaudhary: Okay thank you.

Moderator: Thank you. The next question is from Ajay Tyagi from PTI, please go ahead.

Ajay Tyagi: This question is for Mr Shanghvi. You had mentioned that you are looking for inorganic growth especially in the US market and other markets. Could you please tell which the other markets you are targeting are and what is the amount of money that you have kept aside for that?

Dilip Shanghvi: I think what I said is other large emerging market. So that would be countries like Brazil, Mexico, Russia, China and depending on where we get a company which is in line with what we are looking for ,we will then decide whether we would have the management capability to manage additional acquisitions during the year.



Ajay Tyagi: The additional question was what amount of money which you have targeted for that. The money that you have kept aside for that?

Dilip Shanghvi: I think the entire cash flow and the balance that we have is with a view to look at opportunities to grow the business through inorganic route. If your question is which how much money for which market, then I do not think we have compartments by country but we have a basic investment discipline in terms of long term sustainable return on capital post synergy. So any acquisition that we make will need to meet that kind of financial performance objective.

Ajay Tyagi: Thank you.

Moderator: Thank you. We have a follow-up question from Bino Pathiparampil from IIFL, please go ahead.

Bino Pathiparampil: Just want to double check on Prandin are you expecting approval as soon as the Caraco facility gets cleared?

Dilip Shanghvi: I think in Prandin there are two issues. One is the issue related to facility and the second is the issue related to certain ongoing litigation. And our expectation is that it may be able to come to market once facility becomes operational but FDA may have a different view. So it is difficult for me to respond.

Bino Pathiparampil: And on the Caraco remedial measures could you make some qualitative comments because after two years we are still in a complicated situation, where we do not have a timeline visibility, so what is making it so complicated even now?

Dilip Shanghvi: I think we should be able to give you better clarity in the next quarter. We are happy with the progress that we have made in the last two or three quarters and we should be able to give greater clarity in the next conference call.

Bino Pathiparampil: I remember last quarter margins were a bit muted because of high expenses of the remedial measures; going forward will there be such huge variations in cost related to these remedial actions?

Dilip Shanghvi: Last quarter also I do not think there was a Caraco number which was separately given. And Caraco's number even if it was such significant remediation; I think it would be one quarter before that. But the remediation continues and that is reflected in our current numbers.

Bino Pathiparampil: Okay, thanks a lot.

Moderator: Thank you. The next follow-up question is from Sonal Gupta from UBS Securities, please go ahead.

Sonal Gupta: Just wanted to understand you alluded to the fact going forward you'd use technology as a bigger differentiator, and you are probably mentioning things like the autoinjector that you have done, so any plans in terms of the US generic business, shifting it more towards the specialty side and given also that you have a large portfolio of injectable products now, I mean could you just talk about how big is your sales force on that side, do you have a separate sales force, and what sort of GPO coverage you have?



Dilip Shanghvi: We do not have an injectable sales force; we have an existing distribution relationship with Caraco. Caraco has people with institutional background as part of their sales team. We are not promoting products in Sun to doctors. Taro has a field force which is promoting dermatology products to dermatologists.

Sonal Gupta: But so you do not have a separate promotional team targeting hospital segment as of now?

Dilip Shanghvi: As a part of their overall business team they would have people focusing on on hospitals against pharmacy customers.

Sonal Gupta: And how do you see your coverage in terms of hospitals and GPO's?

Dilip Shanghvi: It is nowhere comparable to let say hospital companies like Hospira or any of those companies, which are predominant business coming from injectables but that is gradually being built.

Sonal Gupta: Any plans to move more towards promoting some of these products as specialty products on the injectables side like the autoinjector?

Dilip Shanghvi: I think be able to promote a product to doctors it is important to be able to price it differentially. And unless and until you have a product which then gets reimbursed differently you cannot promote that product. This product which we have launched, \ autoinjector for Sumatriptan is AB rated to the Imitrex injection of Glaxo. So it is substituted at the pharmacy level.

Sonal Gupta: And on the Taro side could you give us an indication how much of Taro's US business is branded specialty?

Uday Baldota: I do not remember whether they give the breakup in their disclosures, but if they have then I would not think-, we do not have it right now.

Sonal Gupta: Great, thank you so much.

Moderator: Thank you. Ladies and gentlemen we will take one last question from Anubhav Agarwal from Credit Suisse. Please go ahead.

Anubhav Agarwal: This question is on the acquisitions in emerging markets. The question is would you prefer to buy a small company and scale it up, or rather buy a medium company and already get business ongoing with substantial product portfolio, in Brazil, Mexico, Russia and China?

Kal Sundaram: The other thing we equal our in the sense that number one like Dilip Bhai said that we are looking at an acquisition opportunity in large countries. And given that we would prefer to buy a sizable company on which we can further scale up after acquisition instead of making smaller acquisitions.

Anubhav Agarwal: If I have heard you right, you have said that you would prefer to buy a sizable company than the smaller companies?

Kal Sundaram: Correct.



Anubhav Agarwal: Okay thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand over the floor back to Mr. Uday Baldota for closing comments.

Uday Baldota: Thank you very much for all of you for joining the conference call. If you have any questions are answered please feel free to get in touch with me or Mira. Thank you. Bye.

Moderator: Thank you. On behalf of Sun Pharmaceuticals Ltd. that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.